REINVESTMENT UPDATE

A publication of the San Diego City-County Reinvestment Task Force (RTF) SPRING 2004

INSIDE THIS ISSUE

Reinvestment Update is a publication of the San Diego City-County Reinvestment Task Force. The Task Force's mission is to "spur private and public financing of affordable housing and economic development activities in those communities experiencing disinvestment."

Co-Chairs
County Supervisor Ron Roberts

City Councilman Charles Lewis III

Director of RTF
James Bliesner
jim.bliesner@sdcounty.ca.gov

Editor
Charles D'Rozario
charles.drozario@sdcounty.ca.gov

625 Broadway, Suite 110
MS - A263
San Diego, CA 92101
619.515.6149
Fax 619.515.6093

www.sdcounty.ca.gov/rtf

Reinvestment Volume Increases by 24%

Lenders, having reinvestment agreements with the RTF reported increased CRA lending for the last reporting year, 2002. The RTF recently reported its annual lending activity summary for 2002, yielding the following characteristics.

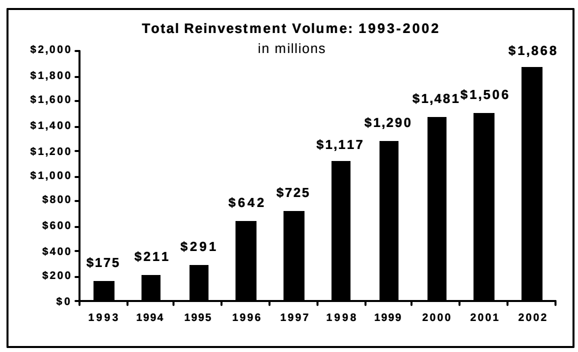
Market Share of Institutions in San Diego County in 2002

Lending Institution	Market Share	Deposits (in millions)
Bank of America	18.13%	$6,099
Washington Mutual	17.57%	$5,911
Wells Fargo	14.61%	$4,917
Union Bank	11.28%	$3,795
CA Bank & Trust	5.67%	$1,906
San Diego National	4.47%	$1,505
US Bank	3.85%	$1,295
Citibank	2.62%	$881
Comerica	1.75%	$590
Total	**79.95%**	**$26,898**

Source: FDIC Market Share Report for San Diego County

The FDIC-Insured institutions whose data is summarized in this report had a combined market share of 79.95% in San Diego County in 2002. Deposits for these ten institutions totaled $26.898 billion, an increase of $2.808 billion (12%) over 2001.

Notable variances and characteristics in countywide reinvestment during the year 2002 include the following:



- **Total dollars loaned for CRA activity of participating FDIC-insured lenders in the San Diego region approximated $1.868 billion in 2002. This is a 24% increase ($363 million) over 2001.**
- The average ratio of CRA lending to total deposits for the participating lenders was 7% in 2002. This is an increase from a reinvestment percentage of 6 % in 2001.
- Increases occurred in all of the reinvestment categories except community development and corporate giving. The largest percentage increase from 2001 was in affordable housing development, which increased 79% ($64 million to $115 million).
- The largest dollar increase was in mortgage LMI tracts, which increased by $216 million (70%) over 2001. This increase is significant because the data does not include refinancing, only new conventional mortgages.

CRA Volume By Lending Institution in San Diego County in 2002

Lending Institution	CRA Amount*	% of Deposits	% of Deposits Difference 2001 – 2002
Bank of America	$300.29	5%	0.26%
Washington Mutual	$532.59	9%	2.13%
Wells Fargo	$322.07	7%	0.78%
Union Bank	$202.86	5%	-0.16%
CA Bank & Trust	$91.55	5%	-1.53%
San Diego National	$145.44	11%	-4.20%
US Bank	$107.75	7%	3.90%
Citibank	$102.23	12%	6.84%
Comerica	$63.52	11%	-66.31%
Total/Average	**$1,868.297**	**7%**	

* Dollars in millions

Continued on next page…………….

The San Diego Capital Collaborative Appoints CEO

The San Diego Capital Collaborative ("SDCC") is an independent, not-for-profit organization, chartered by the RTF. SDCC's mission is to facilitate private and public investments in emerging and underserved neighborhoods that (1) Produce market rate risk adjusted returns to investors; (2) Promote stable, economically and socially diverse communities. SDCC advocates achieving community goals through strategic investing. SDCC's model is based on the "collaboration" of community, investors and government.

SDCC appointed Mr. Barry J. Schultz at its chief executive officer. Barry J. Schultz is a former shareholder with the law firm of Sullivan Wertz McDade and Wallace. His law practice focused on community development, real estate, land use, and government relations. He has provided legal counsel to non-profit and for-profit developers of affordable housing and has extensive experience with affordable housing finance including tax credit and bond financing. He has provided real estate development and land use services to non-profit and for-profit developers in the development of over 900 units of residential housing representing over $100 million in financing.

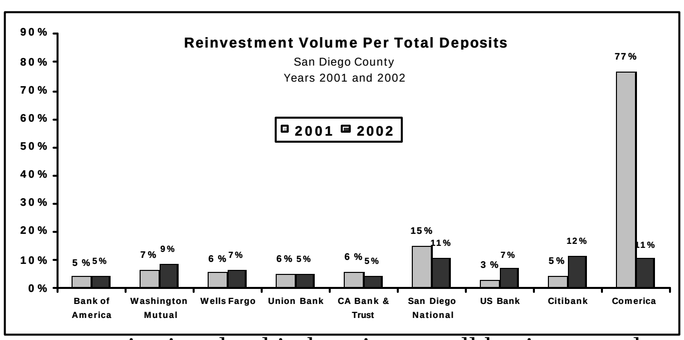
Mr. Schultz has worked in the community development field for over 15 years in both the public and private sectors. Prior to joining Sullivan Wertz McDade and Wallace, he served as senior policy advisor and chief of staff to San Diego City Councilman William D. Jones. In this capacity he advised the councilman on housing, land use, and redevelopment issues. He is a former board member and president of the City Heights Community Development Corporation and served as their general counsel and housing consultant. As the CDC's housing consultant he has assisted the CHCDC in the acquisition and rehabilitation of over 100 units of multi family housing including the development of Metro Villas, a 120 unit multi-family residential project.

In addition to his professional work, Mr. Schultz has been active in civic and social organizations. He is currently the vice-chairman of the City of San Diego's Planning Commission. He has served as a board member for the City Heights Community Development Corporation, San Diego Community Housing Corporation, and Project I Believe (scholarship Program). He has also served on the San Diego Housing Commission loan committee and the Commission's Inclusionary Housing Task Force.

Reinvestment Volume, continued from page 1

More Observations:

- The largest area of decrease was in community development loans by $27.32 million (7% decline).
- Most of the institutions had increases in their CRA lending as a percent of deposits. Comerica and SDNB had the largest percent of deposits at 11% in 2002. Citibank experienced the largest percentage increase over 2001 at 6.84%. This jump may have been influenced by the mid year acquisition of Cal Fed by Citibank.
- San Diego National had the highest level of corporate giving for housing and community economic development as a percent of their deposit base in the County (.036%). Corporate contributions are a primary source of support for the network of agencies involved in housing, small business, and community development activity.
- Bank of America, though maintaining a fairly consistent level of CRA activity (5% of deposits) actually slipped in their commitment since their market share increased particularly in wealthier communities.
- Comerica's numbers from 2001 were not typical.



2002 CRA Volume by Category (in millions)

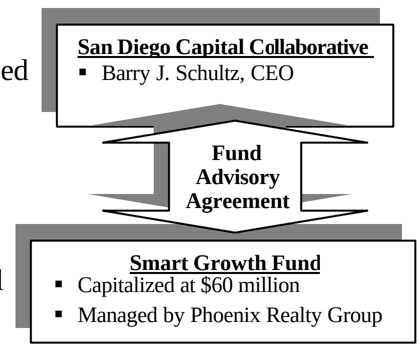
Category	2002 Volume	2001 – 2002 % Difference
Mortgage LMI Tracts	$523.98	70%
Affordable Hsg. Devt.	$115.00	79%
Small Biz Loans	$569.77	7%
Community Devt.	$376.69	-7%
Consumer Loans	$230.60	47%
Corporate Giving	$2.75	-1%
Investments	$49.64	39%

San Diego Capital Collaborative Selects Fund Manager for Smart Growth Fund

The San Diego Capital Collaborative ("SDCC") has selected Phoenix Realty Group LLC to manage the Smart Growth Fund. The Smart Growth Fund will be the keystone fund of SDCC. A selection committee comprised of investors, the SDCC board, community interest groups and the RTF chose Phoenix after a national search was conducted.

Phoenix is a real-estate financial services firm with offices in New York and Los Angeles dedicated to providing financing solutions for the creation and revitalization of affordable/workforce housing. Phoenix will serve as the fund manager, syndicator, joint-venture developer and/or advisor in its mission to create and revitalize affordable/workforce housing in San Diego's communities. In these capacities, Phoenix provides a wide range of capabilities, including origination, acquisition/underwriting, and asset management and investor relations. Phoenix can leverage the experience of acquiring over $10 billion of community development and investment property nationwide. Some of the experience of Phoenix and its Principals includes:

- Over $10 billion of properties acquired on behalf of investors
- Over 2 million square feet of commercial properties finance or developed (includes retail, office, medical office, shopping centers)
- 110,000 housing units invested/developed/owned nationwide
- 3 publicly traded real estate companies with $1.3 billion of asset value
- $300 million in publicly traded mortgage funds
- $260 million in non-traded combined equity/debt funds
- 44 institutional affordable housing funds with $2.79 billion of investor capital
- $300 million of for-sale housing developed
- 22 public funds managed
- 236 private funds managed



SDCC and Phoenix has signed a Fund Advisory Agreement that outlines the scope of services for both parties. This agreement defines the relationship between SDCC, as fund advisor, and Phoenix, the fund manger. Phoenix has the responsibility for raising the capital for the fund and is responsible for the investment of the capital in projects, which are consistent with the fund's investment strategy. SDCC will advise Phoenix on community and government relations, compliance with the Community Reinvestment Act, and deal formation strategies. Phoenix, as the fund manager, will have a separate agreement with the investors of the fund. Specific social objectives have been defined by SDCC and incorporated into the Investment Strategy. The social objectives will be the criteria used by SDCC in evaluating the projects for purposes of the social benefits assessment.

Payday Lending

A recent article in the San Diego Union Tribune (March 9, 2004) talked about the dark side of payday lending. San Diego has the highest concentration of payday lenders in the state. Payday loans are advances given over a post-dated check, minus fees. Payday loans are easy to get but the cost to consumers is huge, frequently pushing the annual interest rate over 900 percent. Payday borrowers tend to be younger, lower middle-class families. More than 40 percent own homes and 19 percent hold a college degree, according to Community Financial Services of America, an industry group. Customers also must have a checking account and show proof of employment.

There is no public data available on the volume of payday loans made in the United States each year. Industry consultants placed the number of loans last year at between $95 million and $100 million - totaling about $25 billion. The fees for those loans were estimated between $4 billion and $4.3 billion. Check cashers reported some $55 billion in transactions over the same period. Oceanside leads all ZIP codes in California, with 22 deferred deposit lenders, according to the Department of Justice. There is a three-way tie for second among El Cajon, Santa Ana and Rialto, with 14 apiece. National City, Miramar, City Heights, Chula Vista and Clairemont all have 10 or more license holders.In National City, where check cashers and payday lenders are concentrated along two thoroughfares, the council's ordinance called the businesses, among other things, an immediate threat to public safety. Before a yearlong moratorium that halted efforts to curb payday lenders expires, Mayor Nick Inzunza says, he will push another law that would force such high-cost financial services companies out of his town altogether.

Continued on next page…………….

Payday Lending, continued from page 3

Jim Bliesner, the director of RTF was quoted in the article stating that payday lenders and check cashers have carved out a niche market. "They're pariahs, but they're filling a gap that traditional lenders are not filling," said Bliesner, who has begun tracking payday lending abuses and is pushing traditional banks to open branches in lower-earning communities. Furthermore, Bliesner is frustrated with the failure of state and federal legislators to rein in what he calls predatory lenders. "The check-cashing industry has a great deal of resources to influence lawmakers, and they're using it effectively," he said. "We want to develop a law that works on a local level."

Payday lenders finally drew attention from elected officials. Even so, the few rules imposed by lawmakers - such as a ban on payday lenders or check-cashing services in National City - often are pushed back or bent even before they take effect. State officials blamed the budget crisis for their failure to set up the bureaucracy they need to enforce the stricter rules, which generally amount to little more than requiring lenders to post their rates in half-inch letters and cap fees at $15 for every $100 borrowed. Last month, lawmakers passed a bill that gave corporations until next year to assume its added duties. Consumer advocates who spent years fighting for tougher regulation of the industry complain that such delays and exemptions are due, at least in part, to the tremendous political influence wielded by the lenders.

Reinvestment Update
San Diego City-County Reinvestment Task Force
625 Broadway, Suite 110
MS-A263
San Diego, CA 92101